



## House Republicans eye tax relief for small firms

By Bernie Becker - 03/12/13 08:31 PM ET

The top tax-writer for House Republicans pushed Tuesday for greater relief for small businesses, identifying that as a key plank in his party's efforts on tax reform.

Rep. Dave Camp (R-Mich.), the chairman of the House Ways and Means Committee, released a new draft proposal that calls for simplifying tax rules for small businesses and making it easier for them to comply.

That result, Camp said, would allow small businesses to spend less time filling out forms and more time creating jobs.

"The current patchwork of complex rules are very difficult to navigate, and really leads to a disparate tax treatment," said Camp, who had previously released tax reform drafts on offshore corporate income and complex financial instruments like derivatives.

Small-business advocates applauded Camp's draft as a welcome step, coming just weeks after thousands of smaller companies saw their tax rates jump under the deal to avert the "fiscal cliff."

The ranking Democrat at Ways and Means, Rep. Sandy Levin (Mich.), noted the draft plan included several changes called for by President Obama.

But by releasing his draft the same week that the House and Senate are unveiling vastly different budget visions, Camp also underscored the challenges he and the Senate's top tax-writer, Sen. Max Baucus (D-Mont.), face as they work to rewrite the code.

House Budget Committee Chairman Paul Ryan's (R-Wis.) latest budget road map, released Tuesday, incorporates tax reform goals from Camp and other Ways and Means members — including lowering the top corporate and individual rates to 25 percent and scrapping the Alternative Minimum Tax.

The House budget would also include no tax increases, while the Senate Democratic framework, which Sen. Patty Murray (D-Wash.) is expected to be officially released on Wednesday, includes close to \$1 trillion in new revenues.

The Senate budget also includes instructions that could lead to a fast-track process for tax reform, an idea that both Baucus and Camp have voiced doubts about.

Under Camp's small-business proposal, companies would receive a permanent tax break allowing them to

immediately deduct the costs of new equipment. It would also allow more small businesses to use a simpler accounting method and give companies added time to prepare returns.

The draft proposal from Camp offers a pair of options to simplify the rules for so-called pass-through entities, while continuing to allow those businesses to pay their taxes through the individual code.

One option would install a single set of rules for so-called S corporations and partnerships — which now face a very different tax landscape, despite both being pass-through entities.

The more incremental option in Camp's draft would encourage more corporations to become pass-throughs. Both options would try to limit the use of tax avoidance strategies.

As with his first two drafts on tax reform, Camp said he was hoping stakeholders would weigh in on his proposals.

But it didn't take long for advocates like the National Federation of Independent Business to shower it with praise.

"Chairman Camp's focus on making the tax code fairer and simpler for not just big businesses, but also small businesses, is commendable," Dan Danner, NFIB's chief executive, said in a statement.

NFIB and other small-business advocates found themselves on different pages with larger corporations during last year's fiscal-cliff debate, when big-business chief executives signaled they would be fine with tax increases on the wealthiest individuals.

Camp and other top GOP tax-writers, including Sen. Orrin Hatch (Utah), chided corporate heavyweights for supporting tax hikes that wouldn't affect their businesses.

But Camp also brushed aside the idea Tuesday that weighing in on small businesses with his latest draft proposal was an attempt to level the playing field after the fiscal-cliff agreement.

"I think we'll be looking at both," Camp told reporters after a Tuesday briefing, noting his previous draft that sought to limit U.S. taxation of offshore corporate income. "There's a lot of tax policy to fix. It's going to be equal opportunity."

Camp also made clear on Tuesday that he would prefer for a tax revamp to move through regular order, even as he acknowledged the possibility that the tax-writing panels could receive instructions on reform from the congressional budgets.

The Ways and Means chairman has vowed to pass a tax reform measure out of his committee this year, with an end goal of getting a rewrite through Congress sometime in fiscal 2014.

"I'll take whatever path to tax reform is successful," Camp said. "But I do think the most successful approach would be to build it from the ground up."

Both the House and Senate would have to agree on tax reform instructions for a rewrite to be possible under reconciliation — a remote possibility at best, given that the two sides' opening bids on revenues are roughly \$1 trillion apart.

But Baucus has also been resistant to reconciliation, over concerns that the fast-track process would tie his hands as he works toward reform.

The Montana Democrat has said that he believes more revenues are needed to reduce deficits, but could be forced to sell \$1 trillion in new revenue as he seeks a seventh term from a state that tilts toward Republicans.

Illustrating the tax-reform challenges, each party began accusing the other of trying to undercut the middle class even before the Senate budget was officially released.

Hatch's office released a statement on Tuesday accusing Democrats of suggesting that only the wealthy use tax breaks, for goodies like corporate jets and yachts.

"The reality is markedly different," the release said. "In fact, the vast majority of tax preferences or expenditures go to the middle class. They are not 'spending' as Democrats would have one believe."

But Levin has long said that the GOP would need to slice tax breaks used by the middle class, like the mortgage interest deduction, to reach their rate-cutting goals.

The latest Ryan budget, Levin said Tuesday, "proposes giving an even larger tax cut to the very wealthy than in previous budgets, while leaving lower- and middle-income Americans vulnerable to a significant tax increase."

"His reference to a pro-growth tax system is all rhetoric," Levin said.

— *Updated at 8:31 p.m.*

Source:

<http://thehill.com/blogs/on-the-money/domestic-taxes/287743-house-republicans-add-small-business-relief-to-tax-reform-agenda>

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